

**COUNTY OF SAN BERNARDINO,  
CALIFORNIA**

**SINGLE AUDIT  
MANAGEMENT LETTER**

**JUNE 30, 2005**



May 11, 2006

Board of Supervisors  
County of San Bernardino  
San Bernardino, CA

Ladies and Gentlemen:

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005 and have issued our report thereon dated May 11, 2006. In planning and performing our audit, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion that the County has complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

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## **CURRENT YEAR MANAGEMENT LETTER COMMENTS**

### **MENTAL HEALTH SERVICES BLOCK GRANT – CFDA NO. 93.958**

#### **ALLOWABLE COST/ALLOWABLE ACTIVITIES**

##### **OBSERVATION:**

Of the 21 sub-recipient payments tested, we noted that three of the Request for Reimbursements prepared by the program coordinator had adjustments made to the sub-recipients reimbursement claim but had no explanation or support for the adjustment. Further inquiry concluded that adjustments are made due to errors reported for patient discharge dates. Program Managers make the adjustment and call the sub-recipient to notify them of the adjustment to their monthly claim. However, based on our review of payment detail, no documentary evidence exists to support claim adjustments, nor is any documentation supporting the adjustments attached to the Request for Reimbursement prior to submittal to fiscal services for processing.

##### **RECOMMENDATION:**

We recommend that the County implement procedures to ensure any adjustments made by Program Coordinators to a providers' reimbursement claim is properly documented. In addition, this documentation should be included with the Request for Reimbursement submitted to fiscal services.

## **CURRENT YEAR MANAGEMENT LETTER COMMENTS, Continued**

### **MANAGEMENT'S RESPONSE:**

We concur with this observation.

- All billing claim adjustments will be reviewed by the Program Manager.
- If the adjustment is 20% or greater of the total billed amount, DBH will require a corrected billing claim from the sub-recipient.
- If the adjustment is less than 20% of the total billed amount, the bill will be adjusted by phone in collaboration with the sub-recipient's representative. A claim adjustment form that describes the adjustment, date of billing and client number will be e-mailed to the sub-recipient and a hard copy will be attached to the claim.
- Billing claim adjustment forms will be attached to the sub-recipient's reimbursement claim in Fiscal Services.

## **MENTAL HEALTH SERVICES BLOCK GRANT – CFDA NO. 93.958**

### **REPORTING**

#### **OBSERVATION:**

While performing testing over the internal controls over reporting, it was noted the Department did not submit the 3 out of 4 quarterly reports on a timely basis. It is noted the State granted several extensions to the Department. However, it does not appear the Department's internal controls in place are not working effectively to ensure the timely submittal of the grant's quarterly reports.

#### **RECOMMENDATION:**

We recommend that the Department implement stronger internal controls to ensure that the quarterly reports are submitted the State on a timely basis. This will help ensure compliance with state and federal requirements related to reporting.

### **MANAGEMENT'S RESPONSE:**

We concur with this observation.

The following steps will be taken to insure timely submission of reports:

- Additional resources have already been allocated to handle the SAMHSA claiming process during peak workload periods.
- The Fiscal Unit Administrative Supervisor will provide additional oversight to ensure that deadlines are met
- A calendar of fiscal deadlines & responsibilities will be developed to ensure that workloads are monitored and resources can be redistributed as necessary to ensure that reports are submitted timely

## **CURRENT YEAR MANAGEMENT LETTER COMMENTS, Continued**

### **AIRPORT IMPROVEMENT PROGRAM - CFDA NO. 20.106**

#### **DAVIS-BACON ACT**

##### **OBSERVATION:**

While performing testing of internal controls over Davis-Bacon Compliance, we noted that the County project managers do not sign-off on certified payroll records as evidence of their review.

##### **RECOMMENDATION:**

We recommend that project managers sign off on each certified payroll record, indicating that it has been reviewed. This will provide proper documentation that the County is monitoring contractor compliance with the Davis-Bacon compliance.

##### **MANAGEMENT'S RESPONSE:**

The Department of Airports requires contract construction managers to review all certified payrolls as a condition for approval of payment requests from construction contractors. In the future, the County's in-house project manager will document their verification that the review has occurred by signing the certified payroll request.

#### **AGING CLUSTER**

##### **SUBRECIPIENT MONITORING**

##### **OBSERVATION:**

While performing testing over the internal controls over subrecipient monitoring, it was noted that no formal process is in place to follow-up on single audit findings, monitoring visit findings and corrective action plans. The department has a "Monitoring & Audit resolution summary" log in place to track monitoring visits and single audit reports, however it does not track if subrecipients responded to the findings issued and if a corrective action plan was submitted and implemented. Auditor noted no formal procedure in place to track program findings for Title III-C1/C2. Auditor also noted that not all analyst assigned to the aging grants were clear as to what the process is if a subrecipient has a single audit finding relating to the grant.

##### **RECOMMENDATION:**

We recommend that a tracking system be implemented to track findings and corrective action plans to ensure subrecipients submit and implement corrective action plans on a timely basis to ensure compliance with State and Federal regulations. We also recommend all program staff (fiscal and program analyst) be provided with the audit resolution procedures currently in place.

##### **MANAGEMENT'S RESPONSE:**

DAAS has convened a committee of responsible officials, contracting and program staff to develop consistent policies, procedures, and control systems to ensure compliance with sub-recipient monitoring requirements. DAAS' intent is to fully implement corrective actions by December 31, 2006.

DAAS will immediately implement staff training on current audit resolution procedures and ensure that are being followed. Completion is targeted for June 30, 2006.

## **CURRENT YEAR MANAGEMENT LETTER COMMENTS, Continued**

### **AGING CLUSTER**

#### **REPORTING**

##### **OBSERVATION:**

While performing testing over the internal controls over reporting, it was noted that not all reports were accompanied with a date/time verification of when reports were submitted electronically to the State. Current staff members had to go through past employees e-mail correspondence to print out submission verifications.

##### **RECOMMENDATION:**

We recommend that the County consistently print out and retain the verification confirmation that the report was successfully submitted to the State.

##### **MANAGEMENT'S RESPONSE:**

DAAS will implement consistent procedures to retain and file print outs of e-mail confirmation that reports were successfully submitted to the State. Implementation to be completed by May 31, 2006.

## **STATE HOMELAND SECURITY GRANT PROGRAM – CFDA NO. 97.067**

### **SUBRECIPIENT MONITORING**

##### **OBSERVATION:**

As a result of our subrecipient test work, we noted the County does not perform periodic site visits to ensure the existence of purchased equipment, and the County did not adequately communicate to each subrecipient applicable federal award information and compliance requirements. In addition, we noted the County did not perform review of each sub recipients procurement policies to ascertain compliance with federal procurement policies in accordance with the State Homeland Security Grant Program Guide.

##### **RECOMMENDATION:**

We recommend that the County establish and enforce policies and procedures for the monitoring of sub recipients. In addition, we recommend that the County conduct periodic field visits in order to verify compliance with federal requirements. In addition, we recommend the County establish a contract between the County and the sub recipients in order to communicate the federal award information and federal compliance requirements as prescribed in OMB Circular A-133. The County must review the sub recipient's procurement policies to ascertain compliance with federal requirements.

##### **MANAGEMENT'S RESPONSE:**

The County Fire Grant Accountant is now in the process of drafting a policy and procedure (for department review and for immediate implementation specifically addressing the recommendation that refers to periodic field visits to sub recipient sites. The County Fire Department will request review of the policy and procedure by the County Internal Audits section before implementing.

## **CURRENT YEAR MANAGEMENT LETTER COMMENTS, Continued**

### **STATE HOMELAND SECURITY GRANT PROGRAM – CFDA NO. 97.067**

#### **EQUIPMENT AND REAL PROPERTY MANAGEMENT**

##### **OBSERVATION:**

In performing compliance testwork over equipment management, it is noted the County's official capital asset records do not include the location and percentage of Federal participation in the cost of the equipment. Further, it is noted the County does not consistently affix a property tag to each equipment item greater than \$5,000. During a physical inspection of current year equipment purchases, 4 out of 15 purchased sampled did not have a County fixed asset tag number attached.

##### **RECOMMENDATION:**

We recommend that the County implement policies and procedures to ensure assets are immediately tagged upon receipt and that assets purchased with federal funds are properly identified and tracked in the capital assets system in accordance with Federal requirements.

##### **MANAGEMENT'S RESPONSE:**

The County Fire Grant Accountant is now in the process of drafting a policy and procedure (for department review and for immediate implementation) specifically addressing the recommendation that refers to the inclusion of the location and percentage of Federal participation in the cost of the equipment, and affixing a County Fire Department property tag to each item greater than \$5,000. The County Fire Department will request review of the policy and procedure by the County Internal Audits section before implementing.

### **STATE HOMELAND SECURITY GRANT PROGRAM – CFDA NO. 97.067**

#### **CASH MANAGEMENT**

##### **OBSERVATION:**

While performing testwork over the County's drawdown requests, we noted no policies or procedures existed to ensure the accuracy and completeness of each drawdown request. As a result, the County could not provide adequate documentation to support each individual drawdown request submitted to the State in FY 2004-2005. However, the County was able to materially reconcile paid expenditures incurred prior to the receipt of reimbursement revenue recorded in the County's financial accounting system.

##### **RECOMMENDATION:**

We recommend that the County implement policies and procedures to ensure the accuracy and completeness of each drawdown request submitted to the State. Internal controls should include proper supervision and review of each drawdown request and proper segregation of duties between those who prepare the drawdown requests and those reviewing and submitting them to the State.

##### **MANAGEMENT'S RESPONSE:**

The County Fire Grant Accountant is now in the process of drafting a policy and procedure (for department review and for immediate implementation) specifically addressing the recommendation that refers to documentation supporting individual drawdown requests submitted to the State. The County Fire Department will request review of the policy and procedure by the County Internal Audits section before implementing.

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## **PRIOR YEAR MANAGEMENT LETTER COMMENTS**

### **HOME INVESTMENT PARTNERSHIPS PROGRAM – CFDA NO.14.239**

#### **SPECIAL TESTS AND PROVISIONS - HOUSING QUALITY STANDARDS**

##### **OBSERVATION:**

The Code of Federal Regulation (CFR) No. 24 sections 92.251, 92.252 and 92.504 require that during the period of affordability for HOME assisted rental housing, participating jurisdictions must perform on-site inspections to determine compliance with property standards and verify information submitted by the owners no less than: (a) every three years for projects containing 1 to 4 units, (b) every two years for projects containing 5 to 25, and (c) every year for projects containing 26 or more units.

Through review of project files for on-site inspection documentation, it was noted that timely inspections were not performed for 10 of 25 projects selected for testing. The on-site inspections for the ten projects were noted to be several months past due ranging from seven to nine months past due.

##### **RECOMMENDATION:**

Although the County scheduled inspections during the anniversary year, we recommend that the County implement procedures that would provide closer monitoring of timelines consistent with the anniversary date of when the project became affordable for the required periodic inspections.

##### **STATUS:**

Implemented

## **WORKFORCE INVESTMENT ACT CLUSTER**

### **ELIGIBILITY**

##### **OBSERVATION:**

While performing testing over the internal controls over eligibility determinations of program participants, it was noted that the department policies identify various internal controls to document eligibility determinations. However, it was noted that the internal controls were not consistently applied. One such control subject to this circumstance was the review of eligibility determinations and State Applications by the program supervisor. The represented procedure was that each State application is reviewed, evidenced by a supervisor's signature. However, during our testing, it was noted that supervisor's signature and/or the signature page was missing in some cases. As a result, the risk of noncompliance with eligibility requirements is increased.

##### **RECOMMENDATION:**

Given that policies and procedures exist, we recommend that the department ensure caseworkers and program supervisors adhere to these standards. Accountability for compliance with the department's policies and procedures should be maintained and enforced.

##### **STATUS:**

Implemented

**PRIOR YEAR MANAGEMENT LETTER COMMENTS, Continued**

**WORKFORCE INVESTMENT ACT CLUSTER**

**CASH MANAGEMENT**

**OBSERVATION:**

While performing testing over the internal controls over cash management it was noted the same employee both prepares and submits the State grant draw down request. This resulted in a segregation of duties conflict over the cash management process and increase risk to misstatement of draw down reports.

**RECOMMENDATION:**

We recommend preparation and submittal functions over the drawdown request should be performed by different staff to ensure no one person has complete control over the draw down process.

**STATUS:**

Implemented

**FOOD STAMPS CLUSTER, TEMPORARY ASSISTANCE FOR NEEDY FAMILIES  
ALLOWABLE COSTS**

**OBSERVATION:**

The Fiscal year 2004 grant agreement with the State of California requires the County to submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement. The CEC is used by the County to allocate payroll expenditures to various Federal programs within the County's Health Services System (HSS) Department. Payroll hours incurred for specific programs are charged directly to the respective program. However, administrative payroll hours (sick leave, etc) are pooled and allocated to the Federal programs on the basis of direct hours incurred.

The County submits the CEC for program administrative costs to the State of California on a quarterly basis for reimbursement. Caseworkers complete time study forms, which are compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. During our internal control testwork, we noted instances whereby the employee's leave-time reported on the Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. The TLR is completed and signed by the employee and reviewed and signed by a supervisor each pay period. As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various Federal programs on the CEC may be inaccurate. Specifically, there are costs that should have been included in the administrative cost pool for allocation but instead were directly applied to Federal programs. The amount of the overall discrepancy to each Federal program is immaterial.

**RECOMMENDATION:**

We recommend that the County review the current preparation process for the quarterly time summary reports and implement formal reconciliation and review procedures of the TLR and the time study reports in order to ensure the accuracy of the time study summary reports. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

**STATUS:**

Implemented



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Our audit procedures are designed primarily to enable us to form an opinion on the County's compliance with the requirements that are applicable to each of its major federal programs for the year ended June 30, 2005, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Board of Supervisors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Vaunick, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
May 11, 2006